

**Listing Decisions Series 15-1 - Connected transactions waiver cap exceeded (June 2000) (Withdrawn in September 2009)**

***[This Listing Decision is no longer applicable after the rule amendments in March 2004 to introduce requirements for continuing connected transactions in Chapter 14A of Main Board Rules. The relevant rule after the rule amendments is Main Board Rule 14A.36(1).]***

Summary	
Name of Parties	Company A - a listed company Company B - a non-wholly owned subsidiary of Company A
Subject	Connected transactions waiver cap exceeded
Listing Rules	Rules 14.25(1) and 14.26
Decision	Waiver was revoked and Company A had to issue an announcement and, since transactions were on-going in nature, it would be required, in the absence of a successful application for a waiver in respect of future on-going transactions, to comply with the Listing Rules in full

**Summary of Facts**

During Company A's latest financial year, Company B had sold and processed raw material for, and provided administrative and management services to, an associate of the holder of the remaining equity interest in Company B. The transactions constituted on-going connected transactions for Company A.

Company A had been granted a waiver by the Exchange for a term of three years from strict compliance with the disclosure and shareholders' approval requirements of Rules 14.25(1) and 14.26 of the Listing Rules on the condition that, among other things, the aggregate value of such transactions would not exceed a certain cap set as a percentage of the group's annual turnover.

The cap had not been complied with in the latest financial year.

**Analysis**

As Company A had breached the waiver conditions imposed by the Exchange, the waiver should be revoked.

**Decision**

The waiver was revoked by the Exchange and Company A had to issue an announcement.

Since the transactions were on-going in nature, Company A would be required, in the absence of a successful application for a waiver in respect of future on-going transactions, to comply with the Listing Rules in full in respect of such future transactions. Since Company A wished to apply for such a waiver (with a revised cap), it was also required to issue a circular to shareholders, to convene a shareholders' meeting to obtain the approval of independent shareholders for the future transactions and the revised cap, and to engage an independent financial adviser.

The Exchange reserved the right to take appropriate action against the Company and its directors for the breach.